

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Bell Telephone Company)	
(Ameritech Illinois))	
and Illinois IntraNetwork, Inc.)	
)	01- 0802
Joint Petition for Approval of)	
Interconnection Agreement dated October 24, 2001,)	
pursuant to 47 U.S.C. § 252)	
)	
Approval of the First Amendment to)	01- 0803
Interconnection Agreement dated October 24, 2001)	
pursuant to 47 U.S.C. §§ 252 (a)(1) and 252(e))	

VERIFIED STATEMENT OF QIN LIU

My name is QIN LIU and I am employed by the Illinois Commerce Commission as a Policy Analyst in the Telecommunications Division. I graduated from Northwestern University with PH.D in Economics, and my main area of specialization is Industrial Organization. One of my duties as a Policy Analyst is to review negotiated agreements and provide a recommendation as to their approval.

SYNOPSIS OF THE AGREEMENT

The agreement between Illinois Bell Telephone Company (“Ameritech Illinois”) and Illinois IntraNetwork, Inc. (“Illinois IntraNetwork”), dated October 24, 2001, adopts the languages and terms of the existing Interconnection Agreement (“Agreement”)

between Ameritech Illinois and Focal Communication Corporation (“Focal”). The Agreement between Ameritech and Focal has already been reviewed and approved by the Commission.

The agreement (Amendment I) between Illinois Bell Telephone Company (“Ameritech Illinois”) and Illinois IntraNetwork, Inc. (“Illinois IntraNetwork”), dated October 24, 2001, adds and changes the languages of the existing Interconnection Agreement (“Agreement”) between the two parties, and it also add additional prices to the price list of the Interconnection Agreement. It is the First Amendment to this Agreement.

The purpose of my verified statement is to examine the agreements based on the standards enunciated in sections 252(a)(1) and 252(e) of the 1996 Act. Specifically, this section states:

The State commission may only reject an agreement (or any portion thereof) adopted by negotiation under subsection (a) if it finds that: (i) the agreement (or portion thereof) discriminates against a telecommunications carrier not a party to the agreement; or (ii) the implementation of such agreement or portion is not consistent with the public interest, convenience, and necessity.

I APPROVAL UNDER SECTION 252(e)

A. DISCRIMINATION

The first issue that must be addressed by the Commission in approving or rejecting a negotiated agreement under Section 252(e)(2)(A) is whether it discriminates against a telecommunications carrier that is not a party to the agreement. Discrimination is generally defined as giving preferential treatment to the

interconnecting carrier to the detriment of a telecommunications carrier that is not a party to the agreement. In previous dockets, Staff has taken the position that in order to determine if a negotiated agreement is discriminatory, the Commission should determine if all similarly situated carriers are allowed to purchase the service under the same terms and conditions as provided in the agreement. I recommend that the Commission use the same approach when evaluating this negotiated agreement.

A carrier should be deemed to be similarly situated to Illinois IntraNetwork for purposes of this agreement if telecommunications traffic is exchanged between such carrier and AMERITECH ILLINOIS termination on each other's networks, and if such carrier imposes costs on AMERITECH ILLINOIS that are no higher than the costs imposed by Illinois IntraNetwork. If a similarly situated carrier is allowed to purchase the service(s) under the same terms and conditions as provided in this contract, then this contract should not be considered discriminatory. Evaluating the term discrimination in this manner is consistent with the economic theory of discrimination. Economic theory defines discrimination as the practice of charging different prices (or the same prices) for various units of a single product when the price differences (or same prices) are not justified by cost. See, Dolan, Edwin G. and David E. Lindsey, Microeconomics, 6th Edition, The Dryden Press, Orlando, FL (1991) at pg. 586. Since Section 252(i) of the 1996 Act allows similarly situated carriers to enter into essentially the same contract, this agreement should not be deemed discriminatory.

B. PUBLIC INTEREST

The second issue that needs to be addressed by the Commission in approving or rejecting a negotiated agreement under Section 252(e)(2)(A) is whether it is contrary to the public interest, convenience, and necessity. I recommend that the Commission examine the agreement on the basis of economic efficiency, equity, past Commission orders, and state and federal law to determine if the agreement is consistent with the public interest.

In previous dockets, Staff took the position that negotiated agreements should be considered economically efficient if the services are priced at or above their Long Run Service Incremental Costs (“LRSICs”). Requiring that a service be priced at or above its LRSIC ensures that the service is not being subsidized and complies with the Commission’s pricing policy. All of the services in the agreement in Docket No. 01-0802 are priced at or above their respective LRSICs, with exceptions of the following rate elements:

Rate Element	Rate in Agreement	Rate in tariff	NA site
Basic 2 wire Analog Access Area B	\$2.59	\$7.07	PS-2
Basic 2 wire Analog Access Area C	\$7.07	\$11.40	PS-2
Clear Channel Capability - Per 1.544Mbps Circuit Arranged (NRC)¹			
Access Area A	\$0	\$443.18	PS-4
Access Area B	\$0	\$443.18	PS-4
Access Area C	\$0	\$443.18	PS-4
1+1 Protection with Cable Survivability - Per OC-3 Entrance Facility NRC	\$0	\$2,819.25	PS-6
1+1 Protection with Cable Survivability - Per OC-12 Entrance Facility NRC	\$0	\$2,819.25	PS-8
1+1 Protection with Cable Survivability - Per OC-48 Entrance Facility NRC	\$0	\$2,819.25	PS-9

¹ This table assumes that the first column is for monthly rates (RC) and the second one is nonrecurring charges (NRC) under “Interoffice Transmission Facilities DS1” on pages PS-3-PS-4 of the Interconnection Agreement filed in 01-0802.

The lower rates for Basic loops may have been the result of transposing the columns of prices in the price schedule, and the “1+1 Protection” rate may be simply an oversight on the part of the parties. The rate problems associated with these two rate elements (“Basic Loop” & “1+1 protection”) are corrected in Amendment I filed in 01-0803 (see pages Illinois PS-2, Illinois PS-13, Illinois PS-16 and Illinois PS-18). However, the rate problems with “Clear Channel Capability” are not corrected, that is, the NRCs in Amendment I remains zero for Clear Channel Capability (A/B/C) (see page Illinois PS-10).

Moreover, while Amendment I corrects some errors, it creates other problems, e.g., monthly charges for rate elements under “Interoffice Transmission Facilities DS1” on page Illinois PS-10 in Amendment I. According to page Illinois PS-10 of the Amendment I, the monthly charges for 1. Entrance Facility, 2. Interoffice Mileage Termination/Interoffice Mileage, 3(b) Interconnection Central Office Multiplexing are zero. In contrast, the monthly charges for these rate elements in the Tariff are well above zero. Thus, these monthly rates in Amendment I are below the LRSICs. These problems may be the result of transposing the column headings (monthly charge versus non-recurring charge) in the rate schedule.

The parties should change these rates to correct these transposition errors or oversights. Letting the rates remain in place would be economically inefficient. If the prices listed above are corrected, this agreement should not be considered economically inefficient.

The pricing schedule in Amendment I also includes rates that are in excess of the currently approved Total Element Long Run Incremental Cost (TELRIC) based rates found in Ameritech's UNE tariff. For example, while in the tariff and the Interconnection Agreement, the NRC for Cross-Connection of Services (OC3 to OC-3) is zero and monthly charge is \$76.83. In contrast, the NRC for this rate element in Amendment I is \$2,819.25 while the monthly charge remains at \$76.83 (page Illinois PS-13). Thus, these rates as amended in Amendment I are substantially above the TELRIC-based rates found in Ameritech's UNE tariff. The price changes ordered by the Commission in dockets 99-0615 and 98-0396 went into effect after the approval date of that version of the Focal agreement upon which this agreement is based. The parties could elect to lower these rates to the current tariffed rates in future amendments to their interconnection agreement using the Articles 19.2 and 19.10 of the agreement, which require compliance with applicable law and good faith performance respectively. However, I do not oppose approving this agreement on the basis of prices exceeding TELRIC rates approved by the Commission.

Finally, Schedule 9.2.4, Paragraph 1.3, on page 14 of the Amendment I defines the term "Shared Transport" in a manner that was rejected by the Illinois Commerce Commission in Docket 96-0486. In that Order, the Commission stated:

This Commission agrees with WorldCom, AT&T, MCI and Staff and finds that Ameritech Illinois' position on shared transport is inconsistent with the FCC's Order and with the common understanding of shared transport, and would raise yet another barrier to entry by new competitors.²

² Order 96-0486, (February 17, 1998), at p. 105.

While the parties are free to agree to an alternative form of shared transport if they prefer such an arrangement, the reference to this arrangement as “Shared Transport” could be confused with the “Shared Transport” service offering that is defined in Ameritech’s tariff at Ill. C. C. No. 20, Part 19, Section 21, Sheet 5. This confusion could be of consequence because any CLEC with an interconnection agreement is allowed to buy out of the Unbundled Local Switching and Shared Transport tariff. Thus, by Illinois IntraNetwork asking Ameritech for “Shared Transport”, it is unclear what product Illinois IntraNetwork would receive.

I propose that the Commission reject Paragraph 1.3 of Schedule 9.2.4 that defines shared transport. 47 USC 252 (e) (2). If Illinois IntraNetwork wishes to receive this modified version of “Shared Transport”, another amendment to the interconnection agreement can be negotiated. The new form of shared transport should be referred to as “Shared Dedicated Transport” to avoid confusion with “Shared Transport”.

Except where noted above, I would conclude that the agreement is not inequitable, inconsistent with past Commission Orders, or in violation of state or federal law. Since the Commission does not have the power to amend the negotiated agreement before us, but instead only has the power under the federal act to accept or reject the agreement, I must recommend that the Commission reject this agreement unless and until the parties resubmit the negotiated agreement, which has corrected errors or oversights as noted above, for Commission approval.

II IMPLEMENTATION

For the reasons enumerated above, I must recommend that, pursuant to Section 252(e) of the Telecommunications Act of 1996, the Commission reject this agreement unless and until the parties resubmit the negotiated agreement, which has corrected the errors or oversights as noted above, for Commission approval.